

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Central Bank, Russiaville, Indiana** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 12, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated **Needs to Improve**.

The geographic distribution of loans demonstrates a reasonable penetration of all segments of the bank's assessment area. Most of the bank's loans are made within the assessment area and are reasonably distributed among applicants of different income levels. The bank's assessment area does not arbitrarily exclude any low- or moderate-income areas or residents that it would reasonably be expected to serve; however, the defined assessment area does not include entire census tracts as required by the regulation. The examination revealed no pattern or practice intended to discriminate or discourage any members of a protected class. The bank has received no complaints concerning its CRA performance.

Notwithstanding these factors, the bank's loan-to-deposit ratio at 27.45% is well below a reasonable level and does not meet the standard for satisfactory performance. There are no economic or demographic factors which indicate a lack of demand, or unstable financial capacity in the bank's assessment area. Most factors point to the vibrancy of the area. The number of competing financial institutions in the area also support the area's financial viability. The bank does not have any financial or business constraints on its lending activity and the existence of competition does not alleviate the bank's responsibility for meeting the credit needs of its community. The bank's lending activity is well below a reasonable standard, indicating that the bank needs to improve its CRA record.

The following table indicates the performance level of **Central Bank, Russiaville, Indiana** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	CENTRAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio			X
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION

Central Bank, with \$35.2 million in total assets as of June 30, 1996, is a subsidiary of CB Bank Shares, Inc., Russiaville, Indiana, a one-bank holding company. The bank's main office is located in Russiaville, Indiana, with an additional full service branch office located 12 miles from Russiaville in Kokomo. The bank has one drive-through automated teller machine (ATM) at the main office in Russiaville. Prior to 1995, the bank, formerly known as Central National Bank of Howard County, was examined by the Office of Comptroller of The Currency (OCC).

Central Bank, the only locally owned and operated bank in Howard County, is a retail community bank offering commercial, consumer, real estate and farm credit products. The consumer loan products consist of both secured and unsecured installment loans, conventional owner-occupied real estate, and credit cards. The bank's commercial lending include both secured and unsecured business loans and commercial real estate loans.

The bank's main office has no local competition while its branch in Kokomo has the following competitors: First National Bank, branches of Keybank NA of South Bend, First of America Bank-Indiana, National City Bank of Indianapolis, and Transmission Builders Federal Credit Union. There are eleven financial institutions, seven credit unions, and nine non-bank lenders within the Metropolitan Statistical Area (MSA).

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area consists of census tracts and block numbering areas (BNAs) in Howard County, located in central Indiana. The census tracts, located in Kokomo, are part of the Kokomo MSA. The assessment area includes the town of Russiaville, population 987, and a portion of the city of Kokomo, population 44,962. The bank's defined assessment area does not include entire census tracts, as required by the regulation; however, when analyzing the HMDA data, entire census tracts were used.

The population in the bank's assessment area, according to the 1990 U.S. Census Data, is 68,098. Demographically, Whites constituted 62,205 or 91.35%, Blacks 4,169 or 6.12%, Hispanics 869 or 1.28% and all other minorities 855 or 1.26% of the assessment area's population. Low- or moderate-income persons comprise 17,745 or 26.06% of the population.

There are a total of 18 census tracts within the bank's assessment area. Low- or moderate-income census tracts total five or 27.78%. Of these five tracts, one is considered low-income and is located in the heart of downtown Kokomo, encompassing a predominately industrial area. The median family income is \$41,900. When using a concentration level of 50% or more minority residents in a tract, there is one minority census tract in the assessment area.

The total number of housing units in the assessment area is 28,511, with 18,805 or 65.96% owner-occupied and 7,796 or 27.34% rental units. Owner-occupied units in the low- or

moderate-income areas total 4,088. The median age of the housing stock in the assessment area is 32, while the median age of the housing stock in low- or moderate-income and minority areas is 46 years.

The areas employment, and economic growth and development is primarily related to the automobile industry. The following chart illustrates the major employers in the bank's assessment area.

EMPLOYER - LOCATION	NUMBER OF EMPLOYEES	TYPE OF BUSINESS OR INDUSTRY
Delco Electronics Corp-Kokomo	10,000	Automotive electronics and entertainment systems
Chrysler Corp- Transmission-Kokomo	5,800	Automatic transaxles & transmissions
Chrysler Corp-Casting - Kokomo	1,000	Aluminum die castings
Haynes International, Inc-Kokomo	890	High performance alloys
Bona Vista Industries- Kokomo	300	General assembly, collating, heat sealing, packaging

According to the Department of Work Force Development, Howard County's unemployment rate for the month of June, 1996 was 3.7%, compared to the State of Indiana rate of 4.2% and the national unemployment rate of 5.5%. Additionally, the June, 1996 unemployment rate in the City of Russiaville was 1.9% and 4.5% in the City of Kokomo.

Currently, bank management is in the process of redefining the assessment area to include whole census tracts. The assessment area does not arbitrarily exclude any low or moderate-income areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

Loan-to-Deposit Ratio Analysis

An analysis of the bank's Consolidated Reports of Condition over the five quarters beginning June 30, 1995 revealed an average loan-to-deposit ratio of 23.68%. According to the Uniform Bank Performance Report (UBPR) dated March 31, 1996, the bank's loan-to-deposit ratio of 22.29% is lower than its peers' average of 57.64%. Bank management attributes the low loan-to-deposit ratio to the bank's small size, conservative lending, and the competition within the assessment

area.

Area Banks and Credit Unions		
	Total Assets (\$000)	Loan-to-Deposit Ratio (%)
City of Firsts Federal Credit Union	20,990	79.8
Haynes International Federal Credit Union	18,319	71.6
Howard County School Employees Credit Union	13,852	70.6
Kokomo Heritage Credit Union	6,587	58.3
Solidarity Credit Union	95,576	74.5
Transmission Builders Federal Credit Union	34,375	72.4
First National Bank	523,892	83.2

Also operating in the market are branches of the following banks: National City Bank, American Trust Federal Savings Bank, Society National Bank, First of America Bank, Key Bank, Salin Bank and Trust and Star Financial Bank. It is estimated that these locations operate with loan-to-deposit ratios which, on average, exceed 80%.

Although the competition would appear to be a factor affecting the bank's low loan-to-deposit ratio, the bank's low ratio can also be attributed to the bank not taking an aggressive position in obtaining loans. The bank has not developed an officer call program and relies on word-of-mouth and periodic radio advertisements to gain name recognition and generate business. Recognizing that the loan-to-deposit ratio is low, management has stated they are taking an active approach in increasing the ratio. The bank's vice president is currently making calls soliciting business from local small business owners.

The bank's loan-to-deposit ratio has been increasing modestly every quarter, with the most recent quarter's loan-to-deposit ratio at 27.45%. The bank's loan-to-deposit ratio, considering the bank's capacity to lend, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, does not meet the standards of satisfactory performance.

Lending in Assessment Area

A sample of loans in the bank's portfolio were reviewed to determine the bank's level of lending within its assessment area. Of the 350 originated applications from the bank's loan portfolio, 336 or 96% were within the assessment area. In addition, the sample of loans reviewed for compliance with the Equal Credit Opportunity Act (Regulation B) indicated that 86% of the loans were made within the assessment area. The level of lending, as a percentage of the bank's total loans, within the assessment area is considered outstanding.

Lending to Borrowers of Different Incomes and To Business of Different Sizes

A sample of loans was reviewed to determine the distribution of loans among borrowers of different income levels and to businesses of different sizes. The bank does not typically collect income information from applicants or gross revenues from businesses. Therefore, to determine the bank's performance in lending to borrowers of different income levels, loan size was reviewed and compared. Considering the loan size, the bank appears to adequately lend to borrowers of different incomes and businesses of different sizes. As indicated by the review, the bank is making many small loans in amounts under \$300. The average loan amount for the 336 loans within the assessment area was \$12,747. This average includes installment, single-payment and commercial loans.

Additionally, according to the 1995 Home Mortgage Disclosure Act (HMDA), loans to low- or moderate-income applicants represent 32.43% of the total HMDA-reportable loans for the bank. Low- or moderate-income individuals comprise 26.06% of the total assessment area population. The examination loan sample and the HMDA data reveal that the distribution of lending to individuals, and businesses of different sizes is in accordance with the market's demographics and is considered reasonable.

Geographic Distribution of Loans

Review of loans from the bank's loan portfolio revealed the bank's loans are fairly distributed throughout the assessment area. A majority of loans (44.34%) were located in the census tracts where the bank's main office is located. There was one census tract with no loan activity; however, that tract was located in the heart of downtown Kokomo and is mostly industrial. The following chart illustrates the bank's distribution of loans:

Census Tracts	Number of Loans	Percent of Loans Sampled	Income Level Population / % of Assessment Population
Low/Mod Income	39	11.61%	17,745 / 26.06%
Middle Income	83	24.70%	30,121 / 44.23%
Upper Income	214	63.69%	20,232 / 29.71%

The previous chart indicates that upper-income census tracts had the most volume of loans, compared to the population they represent in the assessment area. The majority of the loans, 149 of 336, were within the assessment area in census tract 105, an upper income tract, which is where the bank's main office is located.

Based on the distribution of the loan sample, the bank's penetration and geographic loan distribution in the assessment area meets the standards for a satisfactory performance.

Response to Complaints

No CRA-related complaints were received by the institution since the previous examination.